

**Evaluation Report Title:**

Mid-Term Evaluation of the Budget Strengthening Initiative

**Response to Evaluation Report (overarching narrative)**

DFID welcomes the findings of the Mid-Term Evaluation of the Budget Strengthening Initiative (BSI) and endorses the Overseas Development Institute's (ODI) Management Response to the evaluation which appears as an Annex to this document.

BSI was designed as an innovative model for delivering strategic advice and technical support to governments in fragile states on the development of their budgetary and financial systems. It aims to build stronger economic governance in fragile states by providing flexible, demand-driven support that fills gaps in the assistance provided by other donors and addresses bottlenecks or obstacles to progress in implementing reform plans. It supports the management of both domestic revenue and external assistance, with the additional goal of promoting accountability to national parliaments and civil society. It works in fragile states, selected on the basis of their need for this kind of support and a demonstrated political commitment to improving Public Financial Management (PFM). BSI support has primarily been provided in three countries: South Sudan, Liberia and the Democratic Republic of Congo.

The evaluation had two key objectives, (a) accountability, through validating reporting on results to date, and (b) lesson learning, through testing the BSI theory of change.

The evaluation found that BSI has been successful in delivering planned outputs, both in terms of strategic design and implementation advice, providing support that is consistently rated as very high. Overall, the evaluation rated BSI's performance to date as an A+ (moderately exceeding expectations). In this regard the evaluators were "*impressed at the high rate of adoption of BSI-supported initiatives, which indicates that they are well tailored to the counterparts' needs*" and noted that "*the flexible, problem-solving approach adopted by BSI appears to have a higher success rate than is typical for PFM capacity-building programmes*".

BSI measures the effectiveness of its technical assistance by producing internal scores for each substantial work stream (annual workstream reports). It tracks its results by collecting stories of significant changes at the policy, institutional, financial or service delivery level. This approach is designed to reflect the flexible problem-driven approach adopted by BSI so that results not envisaged in the programme design can also be captured.

In terms of methodology, the evaluation looked at the BSI programme as a whole, but examined work streams on a sample basis. It looked in detail at the two largest and most mature country operations, South Sudan and Liberia, conducting field visits to both countries. In each, the evaluators selected a

number of work streams for detailed examination, which included BSI's support to (i) core budgetary processes and (ii) aid management and coordination. These activities were selected as being the most strategic and also the largest, accounting for more than half of the budgets in the two countries. The terms of reference also asked the evaluators to examine the g7+ work stream in detail. However, for this work stream, the evaluators only conducted a light review, based on internal reporting and telephone interviews with a number of key stakeholders. Results of the g7+ workstream are therefore not discussed to the same level of detail as South Sudan and Liberia.

In total, the evaluation validated 10 BSI internal annual workstream reports, of which it scored 5 as meeting expectations and 4 as exceeding expectations (with work on aid coordination in South Sudan substantially exceeding expectations). Only one annual work stream was considered to have moderately missed expectations.

At the outcome level, the evaluation also validated 12 stories of change, of which 9, relating to budget and aid management processes, were assessed as 'significant'. On the basis of this validation, the evaluation concluded that "*BSI had made a significant contribution (alongside other actors) to its intended outcome of 'more effective, transparent, and accountable budget policies, processes and systems'*". It noted, in particular, (i) the implementation of a regular budgeting cycle and establishment of a process for diagnosing and resolving blockages to local service delivery in South Sudan, (ii) the establishment of a Medium-Term Expenditure Framework in Liberia as a platform for more effective sector budgeting and accounting, and (iii) implementation of an impressive system for capturing aid data on the budget, which is now in use in both South Sudan and Liberia.

Overall the evaluation noted that BSI has "*a distinctive model of support that is particularly relevant to fragile states in the early stage of a post-conflict transition*". It identified the core aspects of this model as including:

- a strategic focus on the management of development resources as a whole, including budget and aid flows;
- a flexible, iterative and politically informed approach, making it well placed to identify and promote solutions, using a mixture of strategic advice, systems-design, problem solving and support for implementation; and
- a flexible programme structure with untied funding, iterative measurement of results and strong links to the wider skills of ODI.

The key recommendations from the evaluation focussed on 5 areas:

- Results Management: the evaluation validated the findings of BSI's internal assessment and stories of change but found it difficult to measure results against other indicators in the logframe (such as Public Expenditure and Financial Accountability and World Bank Country Policy and Institutional Assessment data) which were

measured too infrequently and covered broad areas which were often distant from BSI's support. It also concluded that the BSI Theory of Change could better capture the BSI approach, including a clearer statement of what issues it works on, what kinds of support it provides and its distinctive profile as an arms-length programme. The evaluation recommended that BSI should revise its theory of change and update its logframe indicators to ensure improved and timely capturing of results.

- Sustainability: the evaluation concluded that BSI could pay greater attention to (i) capacity assessment when designing its interventions, and (ii) supporting partner governments to develop corresponding capacity development strategies when implementing new systems and processes.
- Communications: in light of the strong results achieved to date, the evaluation found that BSI should give more attention to the communication dimension of its work, identifying key messages and audiences and developing a broader range of communication products to support its efforts.
- Country-level Governance Arrangements: the evaluation found that the Advisory Board has been an effective mechanism and clearly influential in shaping the programme. It felt, however, that country representation on the Advisory Board was insufficient and that some form of in-country structure was also required to provide clear and continuing authorisation from both counterparts and funders.
- Integration of g7+ Work Stream: although the evaluation found that the g7+ work stream of BSI had delivered beyond original expectations, it concluded that this work stream was not an integral part of the BSI theory of change and that ODI and funders should consider continuing this work outside of the overall BSI programme.

Of the seven specific recommendations made in the evaluation, ODI/BSI accepted 5 recommendations and partially accepted the remaining 2. DFID endorses the full ODI/BSI Management Response which is annexed. In November 2013, ODI provided an update to the BSI Advisory Board which noted that all responses to recommendations were either already completed or under way.

One additional sub-recommendation was made directly for DFID which is addressed below.

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Recommendations	Accepted or Rejected	If “Accepted”, Action plan for Implementation or if “Rejected”, Reason for Rejection
<p>DFID and ODI should invest in building a closer learning partnership between BSI and relevant DFID policy teams on state-building, capacity development, public financial management and aid effectiveness.</p>	<p>Accepted</p>	<p>DFID will increase its representation on the BSI Advisory Board, to include observers from the Public Financial Management Team and Fragile States and Conflict Group. <b>From next Advisory Board (May 2014).</b></p> <p>ODI and DFID will also proactively share BSI research, knowledge products and wider reporting as appropriate with a broader range of interested counterparts within DFID and beyond. <b>Immediate.</b></p>

ANNEX



## Mid-Term Evaluation of the Budget Strengthening Initiative *ODI Management Response, 9<sup>th</sup> August 2013*

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### Introduction

This note sets out the management response by ODI to the independent Mid-Term Evaluation of the Budget Strengthening Initiative. The evaluation report has been considered by the BSI project team, by ODI senior management, and by the BSI Advisory Board.

### Overall reflections

The Mid-Term Evaluation (MTE) involved a thorough and independent review of BSI in terms of both how it operates and its achievements to date. ODI is pleased to note the independent assessment that current progress is above expectations (A+ in DFID assessment criteria<sup>1</sup>), with a further A++ for the work on bringing aid onto budget.<sup>2</sup>

Of particular note is the finding that *“the quality of the advisory support is consistently very high”* (p.10). The MTE is helpful in identifying the added value of BSI support as compared to other TA providers: *“BSI teams display an evident concern not just with the immediate outcomes of their activities, but with the success of the wider development partnership. They are willing to facilitate processes behind the scenes without taking credit for them, which contributes to their ability to support meaningful institutional change.”*

The evaluation report is helpful in defining some distinctive characteristics of BSI, including its way of working with country partners. The MTE argues that this way of working is more effective than conventional approaches and stands a stronger chance of achieving success. The four distinctive types of support offered by BSI summarised in the MTE are (p.23):

- *“helps the partner government to articulate an overall PFM reform strategy, providing strategic advice on the prioritisation, sequencing and design of reforms.”*

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<sup>1</sup> Reviewing and Scoring Projects How to Note, DFID, November 2011 provides the following ranking: A++ = Outputs substantially exceeded expectation, A+ = Outputs moderately exceeded expectation, A = Outputs met expectation, B = Outputs moderately did not meet expectation and C = Outputs substantially did not meet expectation.

<sup>2</sup> “To help ensure a high quality product, Evaluation reports were reviewed by DFID’s external quality assurance panel. The panel found that the final product was very credible and successfully met all of the criteria for a strong evaluation of this type.” Drew Tetlow, DFID Lead Adviser for BSI.

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- *“helps with the design and implementation of core budget and aid management systems. In doing so, it works alongside other TA providers, often in gap-filling mode.*
- *“helps identify and resolve problems or blockages in the delivery of budget reforms and in the management of the development partnership. BSI is an embodiment of the approach to TA known as ‘problem-driven iterative adaptation’.<sup>3</sup>  
“helps to fill in a missing management layer in its counterpart institutions. While the Ministries of Finance in both South Sudan and Liberia have policy-competent individuals in senior positions, they lack a middle management capable of seeing reform initiatives through to a successful conclusion”.*

ODI is pleased to note the conclusion that *“Overall ... BSI offers potentially very good value for money as a modality for supporting fragile states”* and *“BSI does have the potential to deliver catalytic impact – that is, strategic results for modest inputs”.*<sup>4</sup>

The MTE examined BSI processes and systems, and made recommendations to improve the effectiveness and efficiency of the programme. The response below provides an initial reaction to the recommendations and the steps that the BSI team will take to address them.

**ODI will respond fully to the recommendations by November 2013. A report on implementation of MTE recommendations will be presented to the Advisory Board in advance of the November 2013 meeting.**

### Response to Recommendations

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1. *BSI should revise its theory of change to better capture the BSI approach, including a clearer statement of what issues it works on, what kinds of support it provides and its distinctive profile as an arms-length programme.*

**Agreed. To be completed by October 2013.**

This will incorporate a separate Theory of Change for the g7+ programme.

2. *BSI should revise the indicators in its logframes. It should ensure that outcome indicators are measurable on a more regular basis – for example, adopting individual components of the CPIA or PEFA scoring methodology and using its own scoring (validated by an independent party) when official CPIA or PEFA scores are not available. It should set its outcomes at a slightly lower level, focusing on aspects of budgetary systems that relate directly to the reform processes it supports.*

**Agreed. Work to start in August 2013 (in conjunction with DFID) and to be completed by October 2013.**

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<sup>3</sup> Matt Andrews & Michael Woolcock, “Escaping capability traps through problem-driven iterative adaptation”, Center for Global Development Working Paper No. 299, June 2012.

<sup>4</sup> The World Bank representative on the Evaluation Steering Committee noted that “BSI fills a niche that is largely left untended by conventional technical assistance programs from the Bank, the Fund and other development agencies. Building trust and appreciating the political, bureaucratic, and capacity context by their presence in-country allows BSI to motivate and sustain momentum for process and program improvements.”

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ODI welcomes the MTE comments that highlight the difficulty of using log frames for iterative and adaptive programmes, and of using high-level data for output and outcome measurement. It does seem that the outcomes/outputs in the overall logframe are at too high a level – which BSI is unlikely to be able to influence directly. Taking outcomes down a step or two in the overall logframe will therefore make the achievement of outcomes a) more relevant and b) more clearly attributable to BSI. This should not decrease BSI's ambitions, but rather seek to monitor BSI work better.

At the same time, ODI is committed to the BSI focus on working with Government systems and therefore places a premium on working with and within Government processes. This creates a tension when the generation of indicators can be delayed or if the indicator is too broad to accurately capture the specific work that BSI is taking forward. Managing consistency will therefore require trade-offs. This will also have an impact on relevance as we seek to establish indicators which more accurately reflect the programme's contribution.

The Annual Workstream Report scoring and stories of change (SOC) have been an important complement to more quantitative indicators and we will look at either moving the SOC up to outcome level, or complementing the outcome indicators with high level 'outcome narratives'. This will enable each level to give a much more inclusive picture of impact.

One particular issue that will be addressed is the balance of output scores allocated to accountability and transparency (Output 3), which ODI proposed DFID decrease from 15% to 10%. While this remains an important part of the programme, it is considered that the programme needs to better reflect the more limited scope for BSI to work directly with civil society in this area: as part of this process, output indicator 3.2 will need to be removed or substantially rewritten to reflect that support on the demand (civil society) and supply (government) side cannot be given simultaneously within in the BSI model.

**ODI will take forward a formal review of the BSI log frame in conjunction with DFID starting in August, and will aim to complete this by the October 2013. New indicators will be chosen, and Output 3 will be changed to reflect experience so far on working with civil society.**

*3. BSI should develop a more considered approach to capacity assessment and development, identifying which elements it will provide directly and where it will help its counterparts source support from other providers. Peer learning should be treated as just one of a range of options for capacity development, rather than as integral to the BSI model.*

**Agreed. Work is already underway to address this issue and will be reviewed by the Advisory Board at its meeting in November 2013.**

ODI agrees that a more structured approach would be beneficial. Work is already underway to take this forward and will be presented to the Advisory Board in November.

In the BSI country programmes, we have already started to think more systematically. In South Sudan, progress has been made in building management leadership, and budget officers' capacity in dealing with spending agencies during the budget process. Attention

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has now shifted to ensuring the budget department has a structure which enables staff to coordinate the budget process as well as to reduce reliance on Technical Assistance. In the area of local service delivery, BSI has helped develop clear strategies to support the development of capacity to implement systems which BSI has helped develop - most notable for local government PFM, and a similar approach is being employed for Human Resources Management.

In Liberia, BSI is working on the capacity building requirements of the Department of Budget. This will involve the development of a capacity building plan for the department; implementation support for internal training programmes will be provided by the newly recruited resident advisor. In collaboration with IMF/FAD a study tour to Uganda has been facilitated and a second study tour to South Africa in collaboration with CABRI is envisaged in the autumn.

In the DRC, the new BSI programme is focused around mentoring and coaching, and the delay in starting has been due to counterparts in COREF (the committee coordinating PFM reforms) not being in place until recently.

Current BSI research is focused on the capabilities of successful Ministries of Finance.

ODI fully concurs with the recommendation that peer learning should no longer be pursued as an objective in itself but rather as part of the overall capacity building strategy. The South Sudan/Uganda exchanges were useful pre-independence, but now ODI agrees it is no longer a key element of the BSI model.

**ODI will develop a more considered BSI approach to supporting capacity building and will add at least one indicator on this in each of its nested (country/programme level) logframes. When starting a new area of work, we will ensure BSI has access to the relevant capacity needs assessments and integrate them into its plans.**

*4. When supporting the introduction of new processes or systems, BSI should put greater emphasis on implementation and sustainability by ensuring that there is a clear assignment of responsibilities, identifying capacity requirements and helping counterparts develop a strategy for addressing capacity gaps.*

**Agreed. To be completed by November 2013.**

This is closely linked to recommendation 3. Ensuring the sustainability of new systems is a vital part of BSI's engagement with its partners. ODI will seek to strengthen this aspect of BSI work and develop further guidance for BSI country programme managers. The 2013 BSI retreat will focus attention on this issue together with the associated capacity building agenda.

In Liberia, considerable attention has been paid to the development of a training programme to complement the recruitment of additional staff within the Ministry of Finance who will take forward the roll out of the budgeting process in both the Ministry of Finance and relevant line ministries.

In South Sudan, the roll-out of the budgeting process has been carefully structured to build ownership across the Government and there has been a progressive transfer of responsibility for on-going maintenance.



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**As part of the BSI work planning, ODI will develop a more explicit statement of the steps required to sustain implementation of new systems: (a) ensuring that there is a clear assignment of responsibilities, (b) identifying capacity requirements and (c) helping counterparts develop a strategy for addressing capacity gaps.**

- 5. BSI should give more attention to the communication dimension of its work, identifying key message and audiences and developing a broader range of communication products to support its efforts.*

**Agreed. To be completed by November 2013.**

Communication is an essential part of the BSI approach. Helping partners to communicate budgetary information clearly to a range of in-country and international stakeholders remains one of the key objectives of the overall initiative. ODI will make a more structured effort to ensure dissemination of the lessons learned from BSI research and Technical Assistance.

ODI recognises that the communication dimension of BSI could be strengthened. Building on three years' experience of TA provision, BSI will also develop and disseminate a series of products and tools.

ODI will also use the MTE report as a communication tool, drawing on its credibility as an independent assessment. Following the finalisation of the MTE, the BSI management team will actively pursue opportunities for BSI communication, such as with the DFID PFM group and the DFID economists' retreat.

The Advisory Board will be a good source of advice on dissemination channels such as the IMF blog or other options, and Board members may provide some suggestions during the November meeting.

**ODI will develop a new suite of communication products through BSI to publicise the activities, achievements and lessons to date. We will develop a BSI communications strategy and revisit the BSI website to streamline the access to learning materials. This will be undertaken by November 2013.**

- 6. BSI should ensure that the flexibility of its model is balanced by robust accountability mechanisms at country level, involving both funders and counterparts.*

**Partially agreed. To be completed by November 2013**

ODI concurs that BSI accountability at country level could be strengthened, particularly vis-à-vis our partner governments. However, this will be a sensitive issue to balance with the independent and confidential approach of BSI.

This recommendation is particularly relevant in the case of the programme in South Sudan, both because of the size of the programme and the need to provide a clearly laid out framework within which BSI can operate. The Ministry of Finance in South Sudan has also made it clear that it does not want separate committees to discuss work plans and reports for every TA project. It has been agreed that a more active donor group will be formulated in South Sudan to provide a critical interface on a regular basis with Government. While the

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primary accountability level will remain with the Government, this re-energised donor grouping will provide stronger mechanisms to keep donors aware of any changes on the ground.

**ODI took this forward during the July visit of the BSI Deputy Director to South Sudan in discussions with DFID and the broader donor community.** This will form the basis for a model of local accountability structures which could be replicated elsewhere. The revised proposals will be designed, agreed and implemented by the end of 2013.

**ODI will also seek Advisory Board comments in November.**

7. *ODI should consider housing the g7+ work stream outside of the BSI programme, to avoid complicating the theory of change.*

**Partially agreed. ODI will develop a separate Theory of Change for this aspect of BSI. To be completed by November 2013.**

Careful thought has been given to the location of the g7+ support programme both in its existing form and as the support programme adapts to the changing requirements of the g7+. There was a strong call from the g7+ representatives for ODI both to maintain and adapt its support and it is considered that this can be best done within the existing structure. It is also felt that there continue to be strong actual or potential synergies between the existing g7+ programme and both the research and existing country programmes and lesson learning between the different components will be encouraged. BSI already deploys a range of expertise from across ODI to support the g7+ work and there has been strong collaboration with the Politics and Governance group (POGO). This will continue in the future but there is no advantage in moving the g7+ work within ODI and any organisational change would incur transactional costs and continuity issues which would be to the detriment of our existing support.

Specifically, the logic of having the g7+ support within the BSI umbrella is that this is an example of problem driven support to addressing an issue of resource management in fragile states. BSI does agree, however, that this does complicate the theory of change and will develop a separate theory of change for this aspect of the work.

While the changing nature of the support programme will be kept under close review it is not proposed to make any significant changes in organisational structure in the last two years of the current funding cycle. However, this will be an issue for structuring any future funding proposals.

**BSI will not make any specific change in the current funding cycle but will keep this area under review and consider its future in any extension of the programme.**

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**Andy Norton**  
**Director of Research, ODI**  
**& Acting Chair of the BSI Advisory Board**

**9<sup>th</sup> August 2013**